---Start of E-mail---

BATES_RANGE	:	DIVSEC 00019619
ATTACH_RANGE	:	DIVSEC 00019619-00019620
FOLDER	:	ExMerge - Humenansky, Paul\Divine Company\Divine Divisions\Managed Applications
MESSAGE_TYPE	:	Original
DATE	=	03/28/2002
TIME	:	10:27:39 -0600
SORT_DATE	=	03/28/2002
SORT_TIME	:	16:27:39 GMT
AUTHOR	:	Mueller, Ken <Ken.Mueller@divine.com>
RECIPIENT	:	Armond, Steve </O=DIVINE/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=Sarmon01>, Vanderbeck, Sunny </O=DIVINE/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=Svande01>
CC	:	Humenansky, Paul </O=DIVINE/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=Phumen01>, Schnack, Jason </O=DIVINE/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=Jschna01>
TITLE	:	RE: dMS Cost Savings PPT for tomorrow's 5 pm
TEXT	:	Gentleman, it is not acceptable to have an EBITDA plan that is $4.2M worse than your January 2002 or March submitted Board Plan. We have already told Viant, Oak, and our Board that our current EBITDA forecast is similar to the January 2002 Plan. In addition, you have very few real costs savings. You indicated that you will be reducing 15 people. The rest of the savings are accounting and/or savings with vendors which may or may not be obtained. The vendor reductions are the same ones we discussed in January and none of them have happened yet.

If you cannot get back to a breakeven EBITDA Plan at $75M in revenue, then you ill need to stay at $81M and the $6.9M EBITDA Plan. We need to finalize this today so we can have the correct plan backup for Oak and our Board next week. Let me know if you would like to set up a call to discus otherwise please send the detailed plan backup for the $81M and $6.9M EBITDA plan today. In addition, we can not run two plans. This serves no purpose.

Thanks,

Ken

-----Original Message-----
From: Armond, Steve
Sent: Wednesday, March 27, 2002 5:30 PM
To: Schnack, Jason
Cc: Vanderbeck, Sunny; Mueller, Ken; Humenansky, Paul
Subject: FW: dMS Cost Savings PPT for tomorrow's 5 pm
Importance: High

Jason,

Let me take a crack at your questions.

1) EBITDA is important but I would argue that cash is the most important barometer for any business - certainly the most important measure for a capital intensive operations like dms. Our plan is (4.2) worse at ebitda. Important to note that we had to absorb $2.2MM in sales engineering headcount in this latest cut and on revised revenue projections have assumed no reduction in our corporate tax (allocation). More importantly, we have committed upside of $.8MM in interest savings as well as $3.6MM in upside associated with renegotiations of compaq/level 3. We have assumed that those savings impact cash only for now; however, if the savings come from level 3, they will positively impact ebitda as well. Net/Net from a cash flow perspective, we are on plan. I have revised your analysis in the chart to reflect the savings.

---Start of E-mail---

2) We have revalued legacy drtn's assets. It will result in signficant earnings upside for the business. Jim Pieper has been involved and approved our methodology as well. The most significant adjustment to our plan is the fact that we are eliminating $12-13 MM in costs to offset our revenue shortfall and to overcome the burden of picking up $2.2MM in SE costs that we thought would be part of the corporate tax. It would not be a fair characterization to assume that through accounting management that we will realize true economic value here. The real savings come from renegotiating deals, rationalizing the workforce and eliminating discretionary spending. That is really how we get back to the bottom line.

3) We have not assumed a facility closure in this number. However, we are significantly rationalizing the maintenance plans associated with their upkeep. We know we will exit STL within a year. In addition, if we execute Neptune, we will likely consolidate SFO so further investment spending at this time is not warranted. We have scaled back to "must have" type repair expenses.

I understand the concern about presenting a plan consistent with BOD expectations from several weeks ago. If this is a priority for external purposes, then I suggest we run with dual versions of the plan - one for external use and one we truly operate against. From an operational perspective, I see little value in creating a plan greater than $75MM topline. We started the year short in our run rate by $.3MM MRR. In addition, the ESM pipe simply has not materialized to the level originally planned. This lost revenue is not recoverable in C'02.

Can we sell the BOD on the fact that cash flow will be in line? If I were on the BOD, this is the first question I would ask. And the good news is that dMS has the right answer - yes it is. I will look for Sunny's feedback post today's 5 pm call for further direction for the BU.

SA

-----Original Message-----
From: Schnack, Jason
Sent: Wednesday, March 27, 2002 4:25 PM
To: Armond, Steve; Vanderbeck, Sunny
Cc: Mueller, Ken; Humenansky, Paul
Subject: RE: dMS Cost Savings PPT for tomorrow's 5 pm
Importance: High

Steve & Sunny:

Couple of things:
1- We all agree that the important number is EBITDA. Your new plan is over $4 million off the EBITDA plan we sent to the board both back in January and earlier this week (see attached).
2- The most significant adjustment to your latest revision (and the primary driver of your meeting the net contribution number) was a decrease in depreciation of $8 million (a 45% decrease). Are you selling off assets or revaluing them? Change in depreciable lives?
3- Another part of your expense reductions is a $1.2 million reduction in facilities. Unless you are shutting a facility down, I would like to know what is driving that cost down.

Bottom line is we have to get back to the EBITDA (and ideally the revenue) plan we sent the board.

Jason

<< File: dMS Analysis 3 27 02.xls >>

-----Original Message-----

---Start of E-mail---

From: Armond, Steve
Sent: Tuesday, March 26, 2002 11:34 PM
To: Vanderbeck, Sunny
Cc: Schnack, Jason; Mueller, Ken
Subject: dMS Cost Savings PPT for tomorrow's 5 pm
Importance: High

Sunny,

Attached is a ppt which addresses the plan our dms management team agreed to last evening. Should be fairly self explanatory. Bottom line is that we will meet corporate guidance from both a net contribution and cash flow perspective. Give me a call tomorrow to discuss.

SA

<< File: Cost Reduction Plan.ppt >>

Steven J. Armond
divine, inc.
4225 Naperville Road
Lisle, IL 60532
Direct # 630.799.9660
General # 630.799.7500
Fax # 801.729.2472
steve.armond@divine.com

HEADER : Microsoft Mail Internet Headers Version 2.0
Received: from LIILMTFSSM01.mailtask.com ([10.14.128.25]) by LIILMTFSSTEC01.mailtask.com with Microsoft SMTPSVC(5.0.2195.3779);
Thu, 28 Mar 2002 10:27:42 -0600
Received: from LIILMTST04.mailtask.com ([208.203.59.38]) by LIILMTFSSM01.mailtask.com with Microsoft SMTPSVC(5.0.2195.3779);
Thu, 28 Mar 2002 10:27:42 -0600
X-MimeOLE: Produced By Microsoft Exchange V6.0.5762.3
content-class: urn:content-classes:message
MIME-Version: 1.0
Content-Type: multipart/mixed;
boundary="----_=_NextPart_001_01C1D675.7A40AAA2"
Subject: RE: dMS Cost Savings PPT for tomorrow's 5 pm
Date: Thu, 28 Mar 2002 10:27:39 -0600
Message-ID: <6A4070F12B822243A5B220154B9EF1C7222FAA@LIILMTST04.mailtask.com>
X-MS-Has-Attach: yes
X-MS-TNEF-Correlator: <6A4070F12B822243A5B220154B9EF1C7222FAA@LIILMTST04.mailtask.com>
Thread-Topic: dMS Cost Savings PPT for tomorrow's 5 pm
Thread-Index: AcHVUM5VbL7SQdkhSaawl44ePQWSGAAiax9gAAJk5rAAI+Kx4A==
From: "Mueller, Ken" <Ken.Mueller@divine.com>
To: "Armond, Steve" <Steve.Armond@divine.com>,
"Vanderbeck, Sunny" <Sunny.Vanderbeck@divine.com>
Cc: "Humenansky, Paul" <Paul.Humenansky@divine.com>,
"Schnack, Jason" <Jason.Schnack@divine.com>
Return-Path: Ken.Mueller@divine.com
X-OriginalArrivalTime: 28 Mar 2002 16:27:42.0601 (UTC) FILETIME=[7C2E4790:01C1D675]

------_=_NextPart_001_01C1D675.7A40AAA2
Content-Type: text/plain;
charset="US-ASCII"
Content-Transfer-Encoding: quoted-printable

---Start of E-mail---

------_=_NextPart_001_01C1D675.7A40AAA2
Content-Type: application/ms-tnef;
name="winmail.dat"
Content-Transfer-Encoding: base64

------_=_NextPart_001_01C1D675.7A40AAA2--

MESSAGE_ID : 61e81c16f4e47a4c89527455d524fa22299948@daa21794exc003.divine.com
FILE : O:\Piper Rudnick Concordance\DIVSECCD005\attachments\001\DIVSEC 00019619.TXT